

## Message Text

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70

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8902

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

CINCSO

C O N F I D E N T I A L SAN JOSE 4847

CINCSO FOR POLAD

E.O. 11652: GDS

TAGS: PGOV, PINT, CS

SUBJECT: SUMMARY OF SAN JOSE'S A-154:

"A LOOK AT THE ODUBER ADMINISTRATION AFTER SIX MONTHS"

THE FOLLOWING IS THE SUMMARY PORTION OF SAN JOSE'S A-154  
OF DECEMBER 19, 1974, WHICH EXAMINES THE PROGRAMS, PROGRESS,  
AND POLITICAL DYNAMICS INVOLVED IN THE FIRST SIX MONTHS OF  
PRESIDENT ODUBER'S ADMINISTRATION. THE LAST SECTION OF THE  
AIRGRAM, ENTITLED "CONCLUSION, AND THE VESCO FACTOR,"  
ASSESSES THE ENERVATING IMPACT OF FUGITIVE FINANCIER  
ROBERT VESCO'S PRESENCE ON THE GOVERNMENT AND THE  
GLOOMY PROSPECTS THIS PORTENDS FOR THE FUTURE.

BEGIN QUOTE: THE ODUBER ADMINISTRATION CAME INTO  
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POWER IN MAY 1974 AMID WIDESPREAD EXPECTATIONS OF A

MARKED IMPROVEMENT OVER THE STYLE, MORALITY, AND EFFICIENCY THAT CHARACTERIZED THE OUTGOING FIGUERES ADMINISTRATION. HOWEVER, DISILLUSIONMENT SET IN EARLY. THE NEW ADMINISTRATION'S MANIFEST FAILURE TO ESTABLISH ITS INDEPENDENCE OF FIGUERES AND ITS APPARENT INABILITY TO MAKE FUNCTION ITS NEW AND HIGHLY TOUTED DECISION-MAKING APPARATUS, BEGAN TO UNDERCUT POPULAR AND BUREAUCRATIC CONFIDENCE IN THE CAPACITY OF THE NEW GOVERNMENT TO CARRY OUT ITS PROMISES. PRESIDENT ODUBER'S MAIN DIFFICULTY EMERGED IN THE LEGISLATIVE ASSEMBLY WHERE, LACKING A MAJORITY, HIS ADMINISTRATION FAILED TO FORGE A SMOOTH WORKING COALITION WITH OPPOSITION DEPUTIES. PARTISAN ACRIMONY IN THE ASSEMBLY, INITIALLY FUELED BY A MAJOR CAMPAIGN FUNDING SCANDAL AND LATER BY THE VESCO AFFAIR, LEFT OPPOSITION COOPERATION AN INCREASINGLY DISTANT POSSIBILITY.

IN ECONOMIC POLICY, THE ODUBER GOVERNMENT DID NOT TRACE ANY FRESH NEW DIRECTIONS DURING ITS FIRST SIX MONTHS, NOR WAS IT PARTICULARLY SUCCESSFUL IN CONTROLLING THE ECONOMY. THE ADVERSE CONSEQUENCES TO BE EXPECTED FROM THE QUADRUPLING OF OIL PRICES AND THE RESULTANT WORLDWIDE INFLATION WERE WELL KNOWN TO ALL, BUT THE GOVERNMENT FAILED TO TAKE NECESSARY RESTRICTIVE MEASURES IN THE EARLY MONTHS. CONSEQUENTLY, NON-PETROLEUM IMPORTS GREW TOO RAPIDLY, THE TRADE BALANCE DETERIORATED, AND A MISGUIDED ATTEMPT TO MAINTAIN LOW INTEREST RATES CAUSED A CAPITAL OUTFLOW THAT COMPOUNDED THE PROBLEM. BY SEPTEMBER, FOREIGN EXCHANGE RESERVES WERE FALLING SO RAPIDLY THAT THE GOVERNMENT FINALLY HAD TO INITIATE A PROGRAM OF HIGHER INTEREST RATES AND STIFF CREDIT RESTRICTIONS. THUS, FAILURE TO TAKE MODERATE MEASURES NEEDED TO RESTRAIN THE ECONOMY WHEN THE ODUBER GOVERNMENT TOOK OFFICE IN MAY FORCED THE GOVERNMENT TO TAKE STRONGER MEASURES IN SEPTEMBER AND OCTOBER THAT, HOWEVER NECESSARY FROM A BALANCE OF PAYMENTS POINT OF VIEW, MAY INTENSIFY OR HASTEN THE RECESSION THAT NOW APPEARS TO BE JUST OVER THE HORIZON.

INFLATION HAS CONTINUED AT A SOMEWHAT LOWER PACE THAN  
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THE 42-PERCENT PER ANNUM RATE WHEN PRESIDENT ODUBER TOOK OFFICE. ON THE DEVELOPMENT SIDE, THE ODUBER ADMINISTRATION HAS CONTINUED THE POLICY OF THE FIGUERES ADMINISTRATION BY FOCUSING HEAVILY ON THE AGRICULTURAL SECTOR, WITH SECONDARY EMPHASIS ON EDUCATION, HEALTH SERVICES, AND FAMILY

PLANNING.

IN INTERNATIONAL AFFAIRS, THE ODUBER ADMINISTRATION HAS MAINTAINED AN ACTIVIST POSTURE WITH REGARD TO THE CACM AND HAS ALSO REACHED OUT TOWARD CLOSER TIES WITH PANAMA, COLOMBIA, AND VENEZUELA. THE UNITED STATES HAS CONTINUED TO RECEIVE EXCELLENT COOPERATION IN INTERNATIONAL FORA FROM THE ODUBER GOVERNMENT.

PRESIDENT ODUBER'S POPULARITY HAS DIMINISHED CONSIDERABLY FROM THE EARLY DAYS OF HIS ADMINISTRATION WHEN HE HAD BROAD MULTIPARTISAN BACKING. THIS IS PARTLY DUE TO THE NORMAL FALLING AWAY OF PARTISAN SUPPORT FOLLOWING THE SHORT HONEYMOON PERIOD, BUT THE DECLINE HAS ALSO BEEN DEEPEMED BY PUBLIC SCANDALS AND INCREASINGLY INTENSE PRESS ATTACKS ON ODUBER'S PRESIDENCY. THE RELATIONSHIP BETWEEN PLN PARTY LEADER FIGUERES AND PRESIDENT ODUBER CONTINUES TO BE THE OBJECT OF SPECULATION AND THERE ARE MANY INDICATIONS AQNMLFIGUERES IS FORCEFULLY EXERCISING GREAT INFLUENCE OVER THE PRESIDENT<sup>90</sup> 8\* ODUBER TO LIVE UP TO EARLY EXPECTATIONS FOR HIS ADMINISTRATION, SOONER OR LATER HE WILL HAVE TO CONFRONT DON PEPE AND SET THE GOVERNMENT ON AN INDEPENDENT AND DECISIVE COURSE MORE CONSISTENT WITH THE THINKING

OF THE MAINSTREAM OF HIS PARTY. GIVEN FIGUERES' POWERFUL POSITION AS PRESIDENT OF THE PLN PARTY AND HIS PRESENT POLITICAL STRENGTH, WE CONSIDER THIS NEW DEPARTURE UNLIKELY.

GIVEN ITS TIMEFRAME, THIS PAPER DOES NOT DISCUSS THE INTENSE CAMPAIGN BY A CITIZENS GROUP IN NOVEMBER/DECEMBER TO EXPEL ROBERT VESCO EVEN THOUGH THE VESCO FACTOR IN COSTA RICAN POLITICS IS THE SINGLE MOST IMPORTANT POLITICAL PROBLEM THE GOVERNMENT HAS HAD

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TO HANDLE. END QUOTE.  
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